



State of Idaho

Legislative Services Office

Management Report

A communication to the Joint Finance-Appropriations Committee

IDAHO MILITARY DIVISION

FY 2004, 2005, and 2006

Report IC19006
Date Issued: October 30, 2007

Serving Idaho's Citizen Legislature

FOREWORD

PURPOSE OF REPORT

We evaluated the internal controls over financial operations of the Idaho Military Division as part of our effort to evaluate each State agency at least once every three years. This report summarizes the results of our evaluation.

SCOPE OF WORK

The management of the Division is responsible for establishing and maintaining internal controls. We obtained an understanding of the relevant policies and procedures comprising the internal control system. We also determined whether the relevant policies and procedures had actually been placed into operation. Our intent was to indicate where internal controls could be improved in order to help ensure the Division's ability to record, process, summarize, and report financial data accurately.

AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

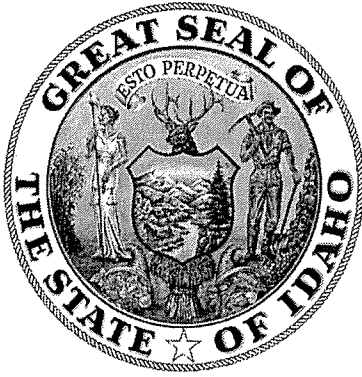
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ADMINISTRATION AND TECHNICAL REVIEW

Don H. Berg, CGFM, Manager, Legislative Audits Division
Chris Farnsworth, CPA, Managing Auditor

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EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO MILITARY DIVISION

PURPOSE AND SCOPE – We performed certain audit procedures to evaluate the effectiveness of the Idaho Military Division's internal control design and operation. The limited scope of our procedures does not allow us to give an opinion on the Division's internal control system. Accordingly, we do not express an opinion or ensure that all instances of internal control weaknesses were disclosed. Our purpose was to indicate where internal controls could be strengthened to help ensure accurate financial statements and data. Any findings and recommendations are intended to improve the internal control system to prevent errors, omissions, misrepresentations, or fraud.

CONCLUSION – We noted no matters involving the internal control over the Division's financial reporting or its operation that we considered to be material weaknesses. However, our consideration of internal controls would not necessarily disclose all matters considered to be a material weakness.

FINDINGS AND RECOMMENDATIONS – There are no findings and recommendations in this report.

PRIOR FINDINGS AND RECOMMENDATIONS – The prior report included two findings and recommendations.

PRIOR FINDING #1 – Some accounting procedures do not ensure that controls are in place and that financial information is accurate.

We **recommended** that the Division:

1. Monitor and require employees to sign their time sheets as evidence the employees agree with the reported hours.
2. Monitor and reinforce the importance of following travel policies and, before reimbursing employees for travel costs, require travel vouchers be properly completed.
3. Establish control procedures to ensure that information provided to the State Controller's Office, for use in compiling statewide financial reports, is correct.
4. Evaluate the use of negative expenditures and limit that use.
5. Monitor unspent funds for Cooperative Funding Agreements and modify existing agreements in a timely manner so that the Division does not lose available federal funding.

CURRENT STATUS: CLOSED – The Division has implemented the State's electronic time and reporting system (I-TIME), which requires employees to electronically sign their own time sheets. It has also provided training on travel policies, and accounting staff are more closely scrutinizing travel claims. Additionally, it has established control procedures to help ensure that accurate financial information is reported in closing packages, and the cooperative funding agreements are modified more timely so available federal funding is not lost.

PRIOR FINDING #2 – The Division's information technology (IT) organizational structure does not allow for efficient performance and timely management information.

We recommended that the Division review its organizational structure and consider having its chief technology officer direct and monitor the activities of all IT staff. The Division should also consider the current workload of its IT section and act accordingly. Finally, the Division should:

1. Establish formal procedures to identify risk areas and to prioritize projects.
2. Establish formal, written project modification policies and procedures and develop a tracking system to monitor performance and achievements.
3. Establish formal policies and procedures for documenting program applications that are developed by its staff.
4. Review system access rights to sensitive information and critical applications.
5. Review password policies and remind employees of the need to keep passwords confidential.

CURRENT STATUS: CLOSED – The IT function has been centralized under the direction of the Division's chief technology officer. The Division is also working on formal written policies to identify risk and prioritize projects, and policy and procedure manuals are currently being developed.

AGENCY RESPONSE – The Division has reviewed this report and is in general agreement with its contents.

FINANCIAL SUMMARY – The following financial data is presented for informational purposes only.

IDAHO MILITARY DIVISION – FY 2006 FINANCIAL SUMMARY

	General Fund 0001	Hazardous Substance Emergency Response Fund 0100	Indirect Cost Recovery Fund 0125	Budget Stabilization Fund 0150	Disaster Emergency Fund 0231
Beginning Cash Balance	\$0	(\$87,681)	\$135,218	\$0	\$48,702
Beginning Encumbrances	252,660	0	21,416	0	0
General Fund Appropriation	5,251,389	0	0	0	0
Receipts	23,100	4,409	120,228	0	467,679
Transfers In/Advances	0	87,700	0	118,200	470,000
Total Available	\$5,527,149	\$4,428	\$276,862	\$118,200	\$986,381
DISBURSEMENTS					
Personnel Costs	\$3,377,668	\$0	\$38,345	\$118,200	\$0
Operating Expenses	1,826,686	70,039	63,088	0	0
Capital Outlay	58,548	0	18,894	0	0
Trustee and Benefits	125,000	0	0	0	808,411
Total Expenditures	\$5,387,902	\$70,039	\$120,327	\$118,200	\$808,411
Ending Balance	\$139,247	(\$65,611)	\$156,535	\$0	\$177,970

	Subgrant Disaster Emergency Fund 0232	Natural Restoration Fund 0310	Federal Fund 0348	Miscellaneous Fund 0349	TOTAL ALL FUNDS
Beginning Cash Balance	\$0	(\$7,060)	(\$5,153,044)	\$89,595	(\$4,974,270)
Beginning Encumbrances	0	16,657	4,995,043	0	5,285,776
General Fund Appropriation	0	0	0	0	5,251,389
Receipts	238,807	0	42,969,626	130,840	43,954,689
Transfers In/Advances	80,000	0	0	60,122	816,022
Total Available	\$318,807	\$9,597	\$42,811,625	\$280,557	\$50,333,606
Disbursements					
Personnel Costs	\$62,797	\$0	\$9,627,752	\$0	\$13,224,762
Operating Expenses	219,100	0	14,249,155	160,207	16,588,275
Capital Outlay	17,492	0	1,172,213	0	1,267,147
Trustee and Benefits	0	0	17,388,479	0	18,321,890
Total Expenditures	\$299,389	\$0	\$42,437,599	\$160,207	\$49,402,074
Ending Balance	\$19,418	\$9,597	\$374,026	\$120,350	\$931,532

OTHER ISSUES – Legislative auditors discussed other matters with the Division's management which, if addressed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the Idaho Military Division and the Idaho Legislature and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the Adjutant General, Major General Larry Lafrenz, and his staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Don H. Berg, CGFM, Manager, Legislative Audits Division
Chris Farnsworth, CPA, Managing Auditor

AGENCY RESPONSE



MILITARY DIVISION, STATE OF IDAHO

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C. L. "BUTCH" OTTER
GOVERNOR

THE ADJUTANT GENERAL
LAWRENCE F. LAFRENTZ

September 21, 2007

Legislative Audit Team
Legislative Services Office
Statehouse
P O Box 83720
Boise, ID 83720-0054

Gentlemen:

We appreciate your review of our management controls and fiscal policies and procedures during your FY 2004, 2005 and 2006 audit of the Military Division. It is beneficial to our organization to have an independent, professional assessment of our practices and procedures.

We are of course pleased that we have no audit findings this audit period. I have reviewed the issues and recommendations in your audit update letter of August 24 and concur with your recommendations. Our fiscal staff has already taken steps to remedy the weaknesses.

Thank you for your professionalism and courtesy during your visit to the Military Division.

Sincerely,


LAWRENCE F. LAFRENTZ
Major General
Commanding General

APPENDIX

HISTORY

The Idaho Army National Guard dates back to the territorial days of 1873. During World War II, the Boise Municipal Airport was utilized by the military for construction of an Army Air Corps flight training base. The federal government also leased property within the Gowen Field area. Gowen Field, as a military facility, was offered to the State of Idaho for use by the National Guard following the war. The Idaho Army National Guard was reorganized, and the Idaho Air National Guard was added to the responsibilities of the Adjutant General's Office. In 1974, the name of the Office of the Adjutant General was changed to the Military Division of the Office of the Governor.

The Idaho Army National Guard is comprised of the following units: Troop Command; 116th Cavalry Brigade; 204th Regiment (Regional Training Institute); Gowen Field Training Center; 183rd Aviation Battalion; 938th Engineer Detachment; 25th Army Band; and the 115th Mobile Public Affairs Detachment. The Idaho Army National Guard occupies 118 facilities in 25 communities across the State.

The Idaho Air National Guard is comprised of the State Headquarters Unit and the 124th Wing. The 124th Wing is a dual flying unit with fighter aircraft assigned to the 190th Fighter Squadron and tactical airlifters assigned to the 189th Airlift Squadron. Additionally, there is a geographically separated unit, the 266th Range Squadron, assigned to the 124th Wing, located at Mountain Home Air Force Base.

Employees of the Military Division are advisors from the regular Air Force, regular Army, Active Guard Reserve (AGR), and full-time Civil Service and State employees. Many of the personnel are based in local units throughout Idaho's communities.

In July 1971, the operation of the Department of Disaster Relief and Civil Defense was added to the Adjutant General's Office. The name was later changed to the Bureau of Disaster Relief and Civil Defense when it became a bureau within the Military Division.

The Idaho Disaster Preparedness Act of 1975 (Chapter 10, Title 46 of the Idaho Code) changed the name to the Bureau of Disaster Services and required each Idaho county to establish and maintain a disaster agency. According to the Act, it is the policy of the State of Idaho to plan and prepare for disasters and emergencies resulting from natural or man made causes, enemy attack, sabotage, or other hostile action.

In 1997, the Bureau of Hazardous Materials was transferred from the Governor's Office to the Military Division. In 2004, this bureau was statutorily combined with the Bureau of Homeland Security, to more closely align the State's homeland security programs with the U.S. Department of Homeland Security.

The purpose of the Bureau of Homeland Security is to plan and prepare for disasters and emergencies for both the State and its political subdivisions. The bureau not only plans assistance, but also coordinates activities and operations of training programs and the pass-through of federal funds.

The bureau's hazardous materials section is responsible for coordinating the hazardous material cleanups throughout the State. This coordination involves regional hazardous response teams imbedded in the regional fire departments located strategically around the State. This bureau also coordinates training exercises for hazardous material cleanups.

STATUTORY AUTHORITY

The Constitution of the State of Idaho, Article 14, states that the legislature shall provide by law for the enrollment, equipment, and discipline of the militia. Title 46 of the Idaho Code allows the Governor to appoint an Adjutant General to organize, equip, and discipline the militia, with the Governor acting as the Commander-in-Chief.

FUNDING

The Military Division is financed by a State General Fund appropriation and federal funds. The federal funds are received under cooperative funding agreements for maintenance and operational expenses of equipment, storage, and training facilities of the Army and Air National Guards. The federal government provides part of the funding for administrative costs of State and local offices; special projects; and, during presidentially-declared disasters, funds for units of government suffering damages and losses.

ORGANIZATION

The Military Division is a division within the Governor's Office. The Adjutant General, the Commanding General of the military forces, is appointed by the Governor and serves at the pleasure of the Governor. The attached organizational chart depicts the overall structure of the Military Division.

FUNDS DESCRIPTION

GENERAL FUND 0001

The General Fund appropriation is used for general administration by the Idaho Military Division and the Bureau of Homeland Security. The appropriation is also used as State match as required by National Guard Bureau funding agreements and the Federal Emergency Management Agency (FEMA).

HAZARDOUS SUBSTANCE EMERGENCY RESPONSE FUND 0100

Deficiency warrants are issued to cover the cost of cleaning up hazardous waste spills when the responsible party has not paid within 120 days of being billed. Annually, a General Fund supplemental appropriation is obtained to cover the cost of the deficiency warrants.

INDIRECT COST RECOVERY FUND 0125

The Indirect Cost Recovery Fund receives federal reimbursement for office space rent and other indirect costs associated with the Bureau of Homeland Security. Expenditures are for equipment; rental payments; and other incidental, indirect costs.

BUDGET STABILIZATION FUND 0150

The Budget Stabilization Fund was budgeted and used to cover the costs of the 27th pay period in fiscal year 2006.

DISASTER EMERGENCY FUND 0231

The Disaster Emergency Fund receives federal funds from FEMA. Expenditures are for the reimbursement of flood damage repairs made by State and local agencies. The fund also receives funds from the Idaho Transportation Department to be used as State match for the rebuilding of flood-damaged roads and bridges.

SUBGRANT DISASTER EMERGENCY FUND 0232

The Subgrant Disaster Emergency Fund receives reimbursement for administrative expenses incurred by the Division in disaster recovery operations.

NATURAL RESTORATION FUND 0310

The Natural Restoration Fund receives federal funds from FEMA, the Corps of Engineers, and other federal agencies. Expenditures are for reimbursement of flood damage repairs made by State and local agencies in the Milo Creek area.

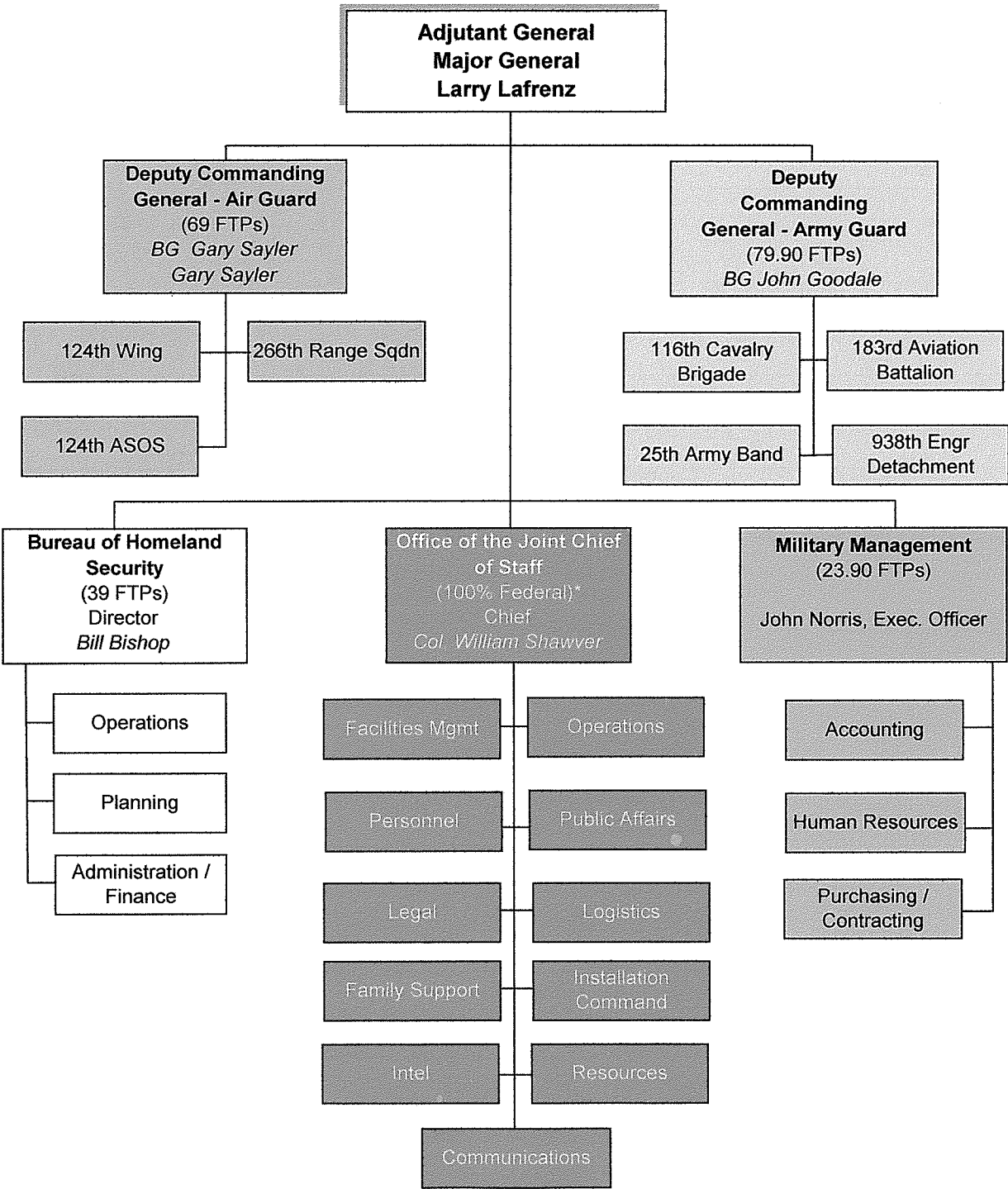
FEDERAL FUND 0348

The Federal Fund receives money from the U.S. Army and the U.S. Air Force National Guards. It is used to maintain and support military facilities and armories throughout the State. This fund also receives funding from the FEMA for the Division's share of operating costs for the Bureau of Homeland Security, as well as smaller amounts of money from different federal agencies to be used for various purposes.

**MISCELLANEOUS
FUND 0349**

The Miscellaneous Fund receives reimbursement from individuals or entities responsible for hazardous waste incidents, armory rental, and other miscellaneous items. Expenditures are to pay entities cleaning hazardous waste spills and other miscellaneous expenditures.

Military Division



* The Office of the Joint Chief of Staff is unique to state government in that it operates as a separate federal entity, yet remains under the command of the state adjutant general. There is **no** federal spending authority from the state for the Office of the Joint Chief of Staff.